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SUBJECT: GOVERNMENT LAUNCHES NEW SOCIAL ASSISTANCE PROGRAMS AHEAD OF
ELECTIONS

¶1. Summary: Responding to social concerns voiced at the November 2-7 anti-government demonstrations in Tbilisi, the government of Georgia has announced a number of initiatives to provide relief to vulnerable groups. The timing of the announcements prompted government opponents to accuse the ruling National Movement and President Saakashvili of attempting to gain favor among the electorate. Nevertheless, the beneficiaries of the different programs are still happy to receive what has been offered. The programs in some respects are an acknowledgment of previous shortcomings by the government. End Summary.

¶2. On November 16, the Ministry of Finance allocated GEL 13.9 million (USD 8.6 million) from the state budget to finance flour to be supplied to the rural population, within the framework of a presidential subsidies program. The program provides a one-time transfer of 50 kg of flour to low income groups and teachers in the villages.

¶3. Another initiative will provide the vulnerable population of Georgia with foodstuffs and wine. According to a November 13 decree, a one-time package of assistance in kind will be distributed all over Georgia to the poorest families. The package includes 2kg of sugar, 2 kg rice, 2 jars of condensed milk, 3 kg of tangerines, 2 kg of apples, 1 liter of vegetable oil, 200g of biscuits, and 1 bottle of wine per family. The Ministry of Agriculture will get a GEL 6 million (USD 3.6 million) transfer from the state budget to finance the project.

¶4. Provision of rural families with firewood is yet another initiative by the president. Vouchers providing for distribution of 5 cubic meters of firewood per family will be distributed in villages. Those who have already paid for firewood will be able to use vouchers next winter. Commercials sponsored by the government advertising the program "Let's Spend the Winter in Warmth Together" are running on the public broadcasting channel to inform people about the initiative.

¶5. Tbilisi City Hall plans to carry out a new program to place students in jobs in December this year. According to the Mayor, 5,000 students will be employed. They will mainly perform work on soil preparation for planting. The details of the program and its budget will become known in the near future.

¶6. David Tkeshelashvili, Minister of Labor, Healthcare and Welfare Protection, announced that about 100,000 people will be placed in jobs in 2008 through an existing job placement program. The program will include job training for future employees. Eight newly opened professional centers will participate in this process jointly with various organizations and enterprises. Some technical issues of the program are still being worked out. President Saakashvili urged businessmen and industrialists to employ participants of the job placement program in jobs to be created in the next two years. The state will pay employees for three months if private employers will employ them in 2008. This program is expected to cost USD 2.3

million.

¶17. The Ministry of Finance's requirement, imposed two years ago, that all merchants use cash registers has bred resentment because of the extra expense it entails. Opposition parties played upon this fact to mobilize vendors to protest against the government in November. As a result, merchants in bazaars and open-air markets have been exempted until July 1, 2009. According to the Tbilisi Tax Department, the extra time will allow entrepreneurs to bring their business and financial situation into order.

¶18. The President announced an increase in the minimum salary for school teachers to GEL 200 (USD 120). In addition, health insurance vouchers will be distributed to 70,000 teachers in secondary schools starting January 1, 2008, as part of a Teachers' Health Care Program. According to then-Minister of Education Lomaia, the price of the health insurance package to the teachers will be GEL 10 (about USD 6) per month. The State will cover the remaining costs. In fact, the state will fully cover the costs in the first stage of the program (2008-2009), while co-funding will be introduced later. The program provides for full or partial covering of various medicines, treatment and other medical services. The total budget of the program for 2008 will be GEL 8.4 million (about USD 5 million).

¶19. The minimum pension will go up from the current GEL 38 (USD 23) to GEL 55 (USD 34) starting from December 1, 2007, requiring GEL 14 million spending (USD 8.5 million) from the current year's budget. A further increase to GEL 78 (USD 48) will occur early next year, costing the government GEL 250 million (USD 152 million) per year.

¶10. Full members of Georgia's Academy of Sciences will get an additional GEL 1600 (USD 987) per month salary starting December 1, and member-correspondents will receive a GEL 1000 (USD 617) per month increase. There are 65 members and 65 member-correspondents in the Academy.

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¶11. On November 26, Parliament adopted a decision by which all property-related legal disputes with the government will be resolved in the property-owners' favor, if they are physical persons. There are 7000 cases which the parliament exempted from the law settling ownership issues that was passed in 2007. These disputes relate mostly to land and apartments, and the threat to people's homes and businesses has become a serious cause of public discontent, especially in Tbilisi and the Adjara region.

¶12. Comment: These latest moves by President Saakashvili and the National Movement will quickly be denounced by the opposition as an attempt to curry favor and draw votes in advance of the January 5 presidential election. They coincide with Saakashvili's efforts to reach out to pensioners, health care professionals, businessmen and others, in an effort to counter his reputation for being out of touch with the public. Saakashvili has in the past concentrated on market-based reforms that should in fact, in the long run, bring significant benefits to Georgia as a whole, but that involve short-term pain as well. The programs the government is now undertaking, while seemingly temporary in nature, aim at those who may not have immediately benefited from the reforms he has promoted. We also note that the IMF has warned against the inflationary effect of excessive government spending. The government has undoubtedly considered that, but has decided for its own reasons to implement the new programs. End comment.

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